Q3 2025 NEWSLETTER

IMPACT

FINANCIAL STRATEGIES

Across the Miles, Through the Noise

Over the past 90 days — throughout the second quarter of 2025 — I spent over a third of my time on the road. From the Space Needle in Seattle to the gator ponds of Florida, across the red deserts of the Southwest and up the historic steps of our nation's capital, I crisscrossed the country — not just to hold meetings, but to sit with people. To listen. To understand. To reassure. And to revisit your plans, your financial future, and make changes where necessary.

In a quarter marked by historic market volatility — triggered by "Liberation Day" and followed by the fastest S&P 500 recovery on record — what stood out weren't the numbers. It was the voices. The real-life stories of job loss, quiet fears, corporate shifts, and health diagnoses that change everything. This work has never been about watching the index. It's about showing up when the headlines fade and the human stories begin.

Some of those stories hit especially close to home. I met with long-time clients facing cancer. I sat with families navigating dementia and the loss of loved ones I've served for decades. And I continue walking my own journey, trying to find a suitable living situation for my hero — my father — whose condition now requires a new level of care. These are not market events. They are life events — and they remind me why our role matters.

But it wasn't all heavy. This quarter, I had the privilege of introducing Sean to clients in Arizona who helped me launch this firm more than twenty years ago. That full-circle moment, paired with marking 20 years in the same home — the longest I've ever lived anywhere — reminded me that in a world moving faster than ever, rootedness is a form of strength.

As we enter Independence Day week, I've been reflecting on a different kind of freedom — not political or market-driven, but personal. The freedom that comes from clarity. From a solid plan. From knowing that, no matter what storms come, you're not alone in navigating them. That's what this tribe is built on. That's the impact we strive to make every single day.

As many of you know, our firm is also the proud title sponsor of the Walk to End Alzheimer's for Larimer County, Colorado. This cause is deeply personal to me — and I'd be honored if you'd consider joining us in the fight. If it resonates with you, you can join, donate, walk, or any combination thereof here: 2025 Walk to End Alzheimer's - Larimer County, CO: Impact Financial Strategies | Walk to End Alzheimer's

Here's to resilience, reflection, and the power of showing up — wherever the road leads.

— Justin

Quarterly Insights – July 1 2025

Markets Remain Resilient in the Second Quarter

Market volatility spiked in the second quarter as the S&P 500 dropped sharply in early April following the announcement of sweeping reciprocal tariffs, although those initial losses were slowly and steadily recouped over the remainder of the quarter as initial tariff rates were reduced while economic growth proved resilient and inflation stayed low, allowing the S&P 500 to hit a new all-time high and finish the quarter with a strong gain.

The second quarter started with a proverbial thud as, on April 2nd, President Trump announced sweeping and substantial tariffs on virtually all U.S. trading partners. The tariff amounts were significantly larger than markets expected and their announcement sparked fears of a trade-war-driven economic slowdown, which hit stocks hard as the S&P 500 dropped more than 10% in the days following the tariff announcement. However, that low in the index on April 8th turned out to be the low for the quarter as the rest of April saw the administration take numerous steps to reduce the practical impact of those announced tariffs. A week after reciprocal tariffs were announced, the administration declared a 90-day delay where tariff rates on most trading partners would be just 10%, far below most reciprocal tariff rates. That delay was then followed by more steps to reduce the tariff burden, including important exemptions for key imports such as smartphones, semiconductors, pharmaceuticals and computers. The delay in reciprocal tariff rates and key category exemptions gave investors some confidence that the trade war would not automatically cause a recession, and that optimism combined with a solid first quarter earnings season to help the S&P 500 rally throughout the remainder of April and close with just a slight loss, down 0.68%.

The market rebound accelerated in May as Treasury Secretary Scott Bessent announced he would be meeting with Chinese trade officials in Geneva early in the month. That boosted investor expectations for more tariff relief and those hopes were fulfilled as the meeting resulted in a dramatic reduction in tariffs on Chinese imports from 145% to approximately 30%. That tariff reduction combined with still-solid economic growth further eroded investor concerns that tariffs would cause a recession and the S&P 500 extended its rebound. Earnings also contributed to the rally thanks to strong results from tech bellwether Nvidia (NVDA), which reminded investors of the growth potential of artificial intelligence (AI). Finally, in late May, the Court of International Trade ruled the administration's tariffs were illegal under the law used to justify the duties. The case was appealed immediately and a decision should come in the third quarter, but the initial ruling raised the prospect that tariffs could be eliminated almost entirely by the courts in the coming months. That decision further strengthened the belief that tariffs would not derail the strong economy and the S&P 500 turned positive year to date and finished May with very strong gains, up 6.29%.

The rally continued in June although trade headlines, which had driven market moves for the first two months of the quarter, took a back seat to geopolitical concerns after Israel launched a massive attack on Iranian nuclear and military facilities. The hostilities between the two rivals caused oil prices to temporarily spike and that halted the rally in mid-to-late June, as investors again had to consider the prospect of rising oil prices hurting economic growth and boosting inflation. However, that volatility was limited, as following U.S. strikes on Iranian nuclear facilities, a ceasefire was agreed to between Iran and Israel and oil prices dropped sharply, turning negative for the quarter. That decline, combined with rising expectations for rate cuts in the second half of the year, pushed the S&P 500 to new all-time highs in the final days of June.

In sum, the stock market completed an impressive rebound from the steep declines of early April, as steps by the administration to ease the tariff burden helped to boost investor confidence while corporate earnings remained strong and economic growth proved resilient, yet again, even in the face of geopolitical uncertainty and elevated policy volatility.

Second Quarter Performance Review

The gains in the S&P 500 in the second quarter were particularly impressive considering the intense selling witnessed in early April, as the market rebound was broad and the majority of indices, sectors and factors logged a positive return for the quarter.

By market capitalization, large caps outperformed small caps in Q2, as they did in the first quarter. A lack of Fed rate cuts, generally elevated bond yields and some soft economic data late in the second quarter weighed on small caps, although they still finished the quarter with a positive gain.

From an investment style standpoint, growth massively outperformed value in the second quarter, as tech-heavy growth funds attracted value-seeking investors following the April declines. Tariff reductions and exemptions also boosted the outlook for major tech firms while solid earnings from AI bellwethers Nvidia (NVDA) and Oracle (ORCL) helped renew AI enthusiasm amongst investors. Value funds, meanwhile, were weighed down by weakness in energy shares but still managed a slightly positive return for the quarter.

On a sector level, seven of the 11 S&P 500 sectors finished the second quarter with positive returns. The best-performing sectors in the second quarter were the AI-linked technology and communications services sectors as well as the industrials sector. All three sectors benefited from tariff reductions and exemptions as many companies in these sectors have strong international businesses.

Turning to the sector laggards, energy and healthcare posted solidly negative returns for the quarter, as both were pressured by negative industry-specific news. For energy, volatility in oil prices (and a lack of a sustainable rally despite the Israel-Iran conflict) weighed on energy producers, as did general fears of an economic slowdown. For healthcare, uncertainty over pharmaceutical tariffs as well as a legislative focus on reducing prescription drug costs weighed on healthcare stocks.

US Equity Indexes	Q2 Return	YTD
S&P 500	11.57%	6.20%
DJ Industrial Average	6.52%	4.55%
NASDAQ 100	17.85%	8.35%
S&P MidCap 400	6.92%	0.20%
Russell 2000	7.95%	-1.78%

Source: YCharts

Internationally, foreign markets outperformed the S&P 500 for most of the quarter, although the late June surge in the S&P 500 saw that index pass both emerging and foreign developed indices from a performance standpoint. Emerging markets outperformed foreign developed markets due to substantial de-escalation in the U.S./China trade war as well as some encouraging Chinese economic data. Foreign-developed markets also posted strong returns for the quarter thanks to falling interest rates and generally resilient economic growth.

International Equity Indexes	Q2 Return	YTD
MSCI EAFE TR USD (Foreign Developed)	9.77%	19.92%
MSCI EM TR USD (Emerging Markets)	10.27%	15.57%
MSCI ACWI Ex USA TR USD (Foreign Dev & EM)	10.28%	18.32%

Source: YCharts

Commodities saw slight declines in the second quarter due to weakness in oil prices, although a continued rally in gold kept losses for most commodity indices modest. Gold added to the already-impressive YTD returns, aided by the falling dollar (which hit a three-year low in the second quarter) and elevated geopolitical tensions. Oil prices, meanwhile, were volatile but ended the quarter with a modest loss as geopolitical tensions eased following the Israel/Iran ceasefire and in response to some lackluster U.S. economic readings in June.

Commodity Indexes	Q2 Return	YTD
S&P GSCI (Broad-Based Commodities)	-1.46%	1.94%
S&P GSCI Crude Oil	-5.97%	-9.48%
GLD Gold Price	7.29%	26.02%

Source: YCharts/Koyfin.com

Switching to fixed income markets, the leading benchmark for bonds (Bloomberg U.S. Aggregate Bond Index) realized a modest positive return for the second quarter, as stable inflation readings and some cooling of U.S. economic growth late in the quarter boosted demand for bonds.

Looking deeper into the fixed income markets, longer-duration bonds outperformed shorter-duration bonds because of the aforementioned stable inflation data and slightly underwhelming economic readings. Shorter-term bonds lagged as the Fed remained in a “wait-and-see” approach to rate cuts given the central bank wants to wait to see the impacts from tariffs on both growth and inflation.

Turning to the corporate bond market, both investment grade and lower quality “high yield” bonds posted solidly positive quarterly returns. High-yield bonds outperformed investment grade debt, however, as generally resilient economic growth and the promise of looming tax cuts gave investors confidence to reach for higher yield and assume more credit risk.

US Bond Indexes	Q2 Return	YTD
Bloomberg US Aggregate Bond Index	1.44%	4.02%
Bloomberg 1-3 Month U.S. Treasury Bill Index	1.08%	2.13%
ICE US Treasury 7-10 Year Index	1.75%	5.34%
Bloomberg US Mortgage Backed Securities Index	1.32%	4.23%
Bloomberg Municipal Index	0.21%	-0.35%
Bloomberg US Corporate Index	2.04%	4.17%
Bloomberg US Corporate High Yield Index	3.46%	4.57%

Source: YCharts

Third Quarter Market Outlook

The markets begin the third quarter following an impressive first half performance, as the S&P 500 hit a new all-time high despite much-larger-than-expected tariffs on U.S. imports, a dramatic increase in policy volatility and more hostilities in the Middle East.

While investors expected tariffs and a tougher stance on trade from the new administration, the moves taken in the first half of 2025 exceeded the vast majority of expectations as tariffs were both higher and more far reaching than most analysts expected. But moves by the Trump administration to ease the tariff burden combined with the court decision invalidating reciprocal tariffs boosted market confidence that neither the administration nor the courts would allow tariffs to derail economic growth. That belief helped stocks look past what is still a dramatic increase in tariffs.

Importantly, tariffs matter to the markets primarily because, if not properly executed, they could cause an economic slowdown, or worse, stagflation, where growth slows but inflation rises. Fears of a tariff-induced slowdown or return of stagflation were contributing factors behind the April decline in stocks. Positively, economic data remained mostly resilient throughout the second quarter and there are no major economic indicators pointing to a material slowing of growth or a sudden rise in inflation. That resilient data in the face of tariffs and geopolitical turmoil contributed to the market rebound in the second quarter.

Finally, geopolitical risks undoubtedly rose with direct conflict between Israel and Iran (including U.S. involvement in the war) and no progress on a ceasefire on the now three-year-long war between Russia and Ukraine. However, the market views these conflicts as largely isolated and not at risk of spreading into a larger regional war that could disrupt oil production or the global economy. Because of that, markets largely ignored the increase in geopolitical tensions during the quarter.

However, while the market was impressively resilient over the past three months, it would be a mistake for investors to become complacent in this environment, because there remain a lot of risks facing the economy and markets.

First, while the market has assumed that tariffs won't rise substantially from current rates, there's no guarantee of that. To that point, the deadline for the reciprocal tariff delay is July 9th and if that deadline is not extended, we could see tariff rates on major trading partners surge once again. Regardless, the reality is that global tariff rates are at multi-decade highs and it's still uncertain how that will impact the economy in the months ahead (so risks of a tariff-induced slowdown or rise of stagflation can't be dismissed).

Turning to geopolitics, while the various conflicts have not negatively impacted global markets, risks remain elevated. If Iran takes steps to disrupt global oil production or transit, that will boost oil prices and create a new headwind on markets. Similarly, if these isolated conflicts begin to spread into larger regional conflicts that will also lift oil prices and weigh on stocks and bonds.

Finally, investors still expect two interest rate cuts from the Federal Reserve between now and year-end; however, the unknown impact from tariffs on economic growth and inflation make rate cuts in 2025 far from certain. If the Federal Reserve does not cut rates in the coming months, that will increase concerns about an eventual economic slowdown and that could weigh on markets.

Bottom line, markets have been impressively resilient so far this year, but as we start the second half of 2025 there remain numerous, potentially significant risks to the markets and the economy and we will not let the market's resilience create a sense of complacency.

To that point, at ***Impact Financial Strategies*****,** we are committed to helping you effectively navigate this investment environment. Successful investing is a marathon, not a sprint, and even intense volatility is unlikely to alter a diversified approach set up to meet your long-term investment goals.

Therefore, it's critical for you to stay invested, remain patient, and stick to the plan, as we've worked with you to establish a unique, personal allocation target based on your financial position, risk tolerance, and investment timeline.

We remain focused on both opportunities and risks in the markets, and we thank you for your ongoing confidence and trust. Please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment. Not just some of us... All of us. And we are here for you.

Please Please have a safe and happy July 4th Holiday as we celebrate our nations, Independence Day!

Sincerely,

Justin

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The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.

The NASDAQ Composite Index is an unmanaged index of securities traded on the NASDAQ system.

The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500, measures the performance of mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.
Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

The S&P GSCI is a composite index of commodities that measures the performance of the commodity market. S&P GSCI Gold is an index tracking changes in the spot price for gold bullion. S&P GSCI Crude Oil is an index tracking changes in the spot price for crude oil. GLD is a gold index fund based on gold and holds gold and/or cash as its only assets, but shareholders are not guaranteed to receive physical gold in exchange for their shares.

The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

The MSCI Emerging Markets is designed to measure equity market performance in 25 emerging market indices. The index's three largest industries are materials, energy, and banks.

The MSCI ACWI (All Country World Index) is a free floating-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixedrate taxable bond market.

The Barclays US T-Bill index measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months.

The ICE U.S. Treasury 7-10 Year Bond Index is market value weighted and is designed to include U.S. dollar denominated, fixed rate securities with minimum term to maturity greater than or equal to seven years and less than ten years.
Barclays Capital U.S. MBS Index measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of GNMA, FNMA, and FHLMC.

The Barclays Capital Municipal Bond is an unmanaged index of all investment grade municipal securities with at least 1 year to maturity.
The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

The Bloomberg Barclays U.S. Corporate High Yield Bond Index is composed of fixed rate, publicly issued, non-investment grade debt, is unmanaged, with dividends reinvested, and is not available for purchase. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility and Finance, which include both U.S. and non-U.S. corporations.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Diversification and asset allocation do not ensure profit or protect against loss. Holding investments for the long term does not insure a profitable outcome. Investing involves risk and you may incur a profit or loss regardless of the strategy selected. Links are being provided for information purposes only. Raymond James is not affiliated with and does not endorse, authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.